Ronald Reagan Presidential Library
Digital Library Collections

This is a PDF of a folder from our textual collections.

WHORM Subject File Code: FO006-06
(Economic Summit, Williamsburg, Virginia, 05/29/1983-05/30/1983)
Case file Number(s): 145282 (2 of 10)

To see more digitized collections visit:
https://www.reaganlibrary.gov/archives/digitized-textual-material

To see all Ronald Reagan Presidential Library inventories visit:
https://www.reaganlibrary.gov/archives/white-house-inventories

Contact a reference archivist at: **reagan.library@nara.gov**

Citation Guidelines: https://reaganlibrary.gov/archives/research-support/citation-guide

National Archives Catalogue: https://catalog.archives.gov/

~~CONFIDENTIAL~~

UNCLASSIFIED UPON REMOVAL OF CLASSIFIED ENCLOSURE(S) dlb 12/17/2019 Document No. ____________

WHITE HOUSE STAFFING MEMORANDUM

DATE: May 23, 1983   ACTION/CONCURRENCE/COMMENT DUE BY: ----------

SUBJECT: MEETING OF THE CABINET COUNCIL ON ECONOMIC AFFAIRS -- Tuesday, May 24, 1983 -- 9:00 a.m. in the Roosevelt Room

	ACTION	FYI		ACTION	FYI
VICE PRESIDENT	☐	☐	GERGEN	☐	☐
MEESE	☐	☐	HARPER	☐	☐
BAKER	☐	☐	JENKINS	☐	☐
DEAVER	☐	☐	MURPHY	☐	☑
STOCKMAN	☐	☐	ROLLINS	☑	☐
CLARK	☐	☐	WHITTLESEY	☐	☑
DARMAN	☐P	☑SS	WILLIAMSON	☑	☐
DUBERSTEIN	☑	☐	VON DAMM	☑	☐
FELDSTEIN	☐	☐	BRADY/SPEAKES	☑	☐
FIELDING	☐	☐	ROGERS	☐	☐
FULLER	☐	☐	BAROODY	☑	☐
			SMALL		✓

Remarks:

Action assignees are invited. Please inform Patsy Faoro (x2800) in the Office of Cabinet affairs if you will attend.

AGENDA:

1. Report of the National Productivity Advisory Committee (Paper distributed on Friday, May 20)
2. Impact of Disinflation on COLAs (Paper distributed on 5/20/83)

Richard G. Darman
Assistant to the President
(x2702)

Response:

3. Economic Summit Briefing (paper attached)

~~CONFIDENTIAL~~

WASHINGTON

ATTACHMENTS

CABINET AFFAIRS STAFFING MEMORANDUM

UNCLASSIFIED UPON [illegible] OF CLASSIFIED [illegible]
dlh 12/17/20

DATE: 5/23/83 NUMBER: 118700CA DUE BY: ______

SUBJECT: Cabinet Council on Economic Affairs - Tuesday, May 24, 1983 9:00 a.m. in the Roosevelt Room

	ACTION	FYI
ALL CABINET MEMBERS	[ ]	[ ]
Vice President	[x]	[ ]
State	[x]	[ ]
Treasury	[x]	[ ]
Defense	[x]	[ ]
Attorney General	[ ]	[x]
Interior	[ ]	[x]
Agriculture	[x]	[ ]
Commerce	[x]	[ ]
Labor	[x]	[ ]
HHS	[ ]	[x]
HUD	[ ]	[x]
Transportation	[x]	[ ]
Energy	[ ]	[x]
Education	[ ]	[x]
Counsellor	[x]	[ ]
OMB	[x]	[ ]
CIA	[ ]	[x]
UN	[ ]	[x]
USTR	[x]	[ ]
CEA	[x]	[ ]
CEQ	[ ]	[ ]
OSTP	[ ]	[ ]
______	[ ]	[ ]
______	[ ]	[ ]

	ACTION	FYI
Baker	[x]	[ ]
Deaver	[ ]	[ ]
Clark	[x]	[ ]
Darman *(For WH Staffing)*	[x]	[ ]
Harper	[x]	[ ]
Jenkins	[ ]	[ ]
______	[ ]	[x]
______	[ ]	[ ]
______	[ ]	[ ]
______	[ ]	[ ]
______	[ ]	[ ]
______	[ ]	[ ]
______	[ ]	[ ]
CCCT/Gunn	[ ]	[ ]
CCEA/Porter	[x]	[ ]
CCFA/Boggs	[ ]	[ ]
CCHR/Carleson	[ ]	[ ]
CCLP/Uhlmann	[ ]	[ ]
CCMA/Bledsoe	[ ]	[ ]
CCNRE/Boggs	[ ]	[ ]

REMARKS:

The Cabinet Council on Economic Affairs will meet on Tuesday, May 24, 1983 at 9:00 a.m. in the Roosevelt Room. The agenda is as follows:

1. Report of the National Productivity Advisory Committee/CM255 (Paper distributed on Friday, May 20)

2. Impact of Disinflation on COLAs/CM030 (Paper distributed 5/20/83)

3. Economic Summit Briefing/CM396 (Paper attached)

RETURN TO:

[ ] Craig L. Fuller
Assistant to the President
for Cabinet Affairs
456-2823

[x] Becky Norton Dunlop
Director, Office of
Cabinet Affairs
456-2800

~~Confidential~~ Attachments

THE WHITE HOUSE

WASHINGTON

dlb 12/19/2019

May 20, 1983

MEMORANDUM FOR THE CABINET COUNCIL ON ECONOMIC AFFAIRS

FROM: ROGER B. PORTER RBP

SUBJECT: Williamsburg Economic Summit Briefing Papers

Allen Wallis has provided the attached set of briefing materials for the Williamsburg Economic Summit Conference for distribution in preparation for the Cabinet Council's discussion on Tuesday, May 24.

~~Confidential~~ Attachments

DECLASSIFIED
Authority State Waiver
BY dk NARA DATE 12/17/2019

MULTILATERAL SURVEILLANCE OF ECONOMIC POLICY

I. ISSUE

We should try to follow the more structured approach to multilateral surveillance initiated at Versailles. We seek to reaffirm the following objectives: achievement of sustainable non-inflationary growth of real income and employment; improvement of the process for discussion of policies designed to narrow differences in economic conditions in Summit countries; and assessment of progress toward achieving such convergence.

II. ESSENTIAL FACTS

As recovery is underway in most Summit countries, focus should be on a non-inflationary one.

Inflation is still troublesome in France and Italy. They need to follow firm, anti-inflationary policies.

While the medium-term is important, we want the shorter-term focus on the surveillance process. We want more attention on quantitative goals to measure performance and to identify exchange rate implications of disparities in performance.

III. KEY POINTS

Criticism: France wants to stabilize exchange rates by systematic intervention in foreign exchange markets.

Response: This does not work, as demonstrated by the recent experience of the European Monetary System. Attempts to rig exchange rates when policies are out-of-line lead to market instability and disagreements among countries involved. Debate should shift from quick-fix schemes to the improvement of fundamental policy approaches. This would solve exchange rate problems which now arise from differences among countries. Exchange rate instability is a symptom, not a cause, of differences in economic policies and performance.

It is not surprising that exchange markets have put downward pressure on currencies of those countries whose economic and inflation performances are weaker.

The lasting way to promote exchange market stability is to obtain convergence of Allied economic conditions and policy.

We want to toughen the multilateral surveillance process by setting quantitative targets, goals and measuring results.

DECLASSIFIED
Authority State Waiver
BY dh NARA DATE 12/17/2019

EXCHANGE RATE STUDY AND POLICY

I. ISSUE

There is consensus that more uniformly sound policies in major economies are needed for greater exchange rate stability. Many claim the dollar exchange rate is volatile, the dollar is overvalued, and that we should intervene more often in currency markets. France wants to move toward fixed exchange rates.

II. ESSENTIAL FACTS

Other countries believe the US dollar has become artificially overvalued because of our high interest rates. They want us to loosen monetary policy and cut the budget deficit in order to bring them down. While interest rates have been one factor in the dollar's strength, we attribute it more to confidence in our ability to control inflation and manage our economy soundly when conditions abroad were less satisfactory.

Some say that exchange market intervention by the US could force the dollar down. At Versailles we commissioned an intervention study to investigate this. It showed that the impact of intervention on exchange rates is limited to the short-run. Our Summit partners agree these results show that a stable, non-inflationary policy environment is the way to obtain more stable exchange markets. We should redouble our efforts at fostering such policies in all major countries by improving the multilateral surveillance process agreed to at Versailles. We agreed to greater consultation and cooperation in this area and to coordination of our intervention when we felt it would be helpful. However, we retain the basic US policy of limiting government interference in exchange markets.

III. KEY POINTS

Criticism: High interest rates overvalue the dollar. Cut the budget deficit and loosen monetary policy to lower them.

Response: Other factors add to the dollar's strength. We are trying to lower the deficit by control of non-defense items. It is counterproductive to abandon monetary discipline.

Criticism: US should intervene to bring down the dollar.

Response: Intervention is not capable of doing that.

Criticism: US should agree to return to a more fixed exchange rate system, such as setting target zones.

Response: There are arguments for both fixed and flexible systems, but the type of system is not the real issue. Stable and convergent policies are needed for exchange rate stability.

INTEREST RATES AND MONETARY POLICY

I. ISSUE

Other Summit countries will complain that high US interest rates block world recovery. At Versailles blame was placed on excessively tight US monetary policy, but with more rapid monetary growth since last fall, the complaint has shifted to high federal budget deficits, especially for the out years.

II. ESSENTIAL FACTS

Others exaggerate the interest rate impact of future US deficits. France is looking for outside scapegoats for its policy failures. Interest rates levels are more influenced by inflation rates than by the size of budget deficits. Short-term interest rates have fallen sharply in countries that have pursued successful anti-inflation policies. Since January 1981 US short-term rates have been cut in half, from 18% to 9%. UK, FRG and Japanese rates have fallen 3 to 7 percentage points in the same period. Rates in Canada, a more recent convert to firm anti-inflation policies, have declined nearly 8 points. Longer term rates have not fallen as much, implying need for continued pursuit of budgetary restraint and anti-inflation policies to increase market confidence in the durability of low inflation gains. Short-term interest rates have actually risen somewhat in France and Italy, where only limited progress in controlling inflation has been made. The US is also trying to reduce budget deficits while deficits in major foreign countries (except the UK) have been stable or rising as a share of GNP/GDP.

III. KEY POINTS

<u>Criticism</u>: US interest rates are too high.

<u>Response</u>: Rates are high but US short-term interest rates have fallen sharply, declining from 18% two years ago to 8-9% today. Long-term rates have also fallen.

<u>Criticism</u>: The prospect of high US budget deficits in future years keeps interest rates high and could choke recovery.

<u>Response</u>: The deficit is too large. We have placed high priority on reducing expenditures to reduce future deficits. We all have work to do in getting our budget deficits down.

<u>Criticism</u>: US rate levels prevent recovery elsewhere.

<u>Response</u>: Reducing inflation expectations is the key to lower interest rates. Interest rates have come down where inflation has declined sharply. The US is not to blame for inflation and inflationary policies in other countries.

DECLASSIFIED
Authority State Waiver
BY dlr NARA DATE 12/17/2019

ECONOMIC IMPACT OF OIL PRICE DECLINE

I. ISSUE

Since January 1 average world oil prices have fallen over 12%, from about $32.50/bbl to $28.50/bbl, and could decline further. The USG believes these price declines will bring major beneficial effects for both developed and developing nations, and thus, are to be welcomed. Such specific problems as may arise are tolerable and out-weighed by the gains. Other OECD governments appear to have arrived at similar conclusions but they differ on the issue of whether to pass through cuts in energy prices to consumers or to preempt some portion of them through import fees or energy taxes.

II. ESSENTIAL FACTS

USG study suggests that a 25% price cut to $25/bbl would:

-- slow OECD inflation by 1.5% within the first year,

-- increase OECD growth by 1% in the first year, and 1/2% in each of the two following years,

-- reduce unemployment by about 1% over three years,

-- improve the current account and budget deficits positions of OECD nations,

-- greatly improve export prospects for oil importing LDCs, increase growth and debt servicing ability. However, LDC exports could decline temporarily due to lower OPEC demand.

III. KEY POINTS

Criticism: Lower oil prices will severely impair the ability of heavily indebted oil exporters such as Mexico, Venezuela and Nigeria to manage their debt burdens.

Response: Eight of the 10 largest LDC debtors to banks are oil importers. Whatever problems arise for heavily indebted oil exporters and commercial banks are not insurmountable, and are outweighed by the benefits of cheaper oil.

Criticism: Import fees or energy taxes should be imposed to prevent erosion of conservation gains.

Response: The stimulative effect of lower oil prices are of overriding importance and cannot be obtained unless oil bill savings are passed through to business and consumers.

DECLASSIFIED
Authority State Waiver
BY Clh NARA DATE 12/17/2019

US ECONOMIC SITUATION

I. ISSUE

At issue is the strength and sustainability of the current US recovery and the degree to which an upturn in the major industrialized countries can be translated into economic improvement in other free market economies. The key is the mix of monetary, fiscal and trade policies that can achieve the growth and price stability goals of the Administration.

II. ESSENTIAL FACTS

The US recession ended in 4th quarter 1982. Preliminary data show 3.1% real growth for 1st quarter 1983, reflecting: (1) a strong housing recovery with 1st quarter starts at the 1.7 million rate, almost 90% above levels of a year ago; (2) a modest recovery in real consumer outlays which rose 2.3% due to income gains and a drop in the saving rate; and (3) the inventory cycle which is phasing out following a record inventory liquidation in the 4th quarter.

The recovery is based on improved economic fundamentals, including a decline in inflation reinforced by weakness in prices for oil and commodities. Rising productivity is holding down unit labor cost and aiding price stability.

The Administration forecast for 1983 shows an increase in real GNP of 4.7% and an inflation rate of 4.5% measured from the 4th quarter 1982 to 4th quarter 1983. Unemployment is expected to drop to 9.7% by year end. From 1984-88, progress in sustaining economic growth and lower inflation is expected (long-term real growth rate: 4%; inflation rate: 4.6%; unemployment at end of 1988: about 6%) through continuation of current tax policies, control of federal spending, and restrained monetary growth.

III. KEY POINTS

Criticism: Monetary policies have raised the value of the dollar, rendered the US less competitive, and discouraged world-wide economic expansion.

Response: Current policies are designed to reverse prior conditions of inflation and destabilizing economic cycles.

Criticism: Large budget deficits absorb private saving, reduce capital formation, and discourage long-term growth.

Response: Increased defense spending is imperative for national security. But we agree that credible strategy is needed to keep future deficits declining. We have proposed such strategy (see paper on budget policy) and welcome Summit support for this effort.

DECLASSIFIED
Authority State Waiver
BY dh NARA DATE 12/17/2019

UNITED STATES BUDGET POLICY

DECLASSIFIED
Authority State Waiver
BY dh NARA DATE 12/17/2011

I. ISSUE

Leaders of several Summit countries remain concerned that continued US budget deficits are causing abnormally high interest rates and thwarting their attempts at economic recovery.

II. ESSENTIAL FACTS

When your Administration took office it inherited a major budgetary imbalance. The social insurance system was growing rapidly and in 1981 was almost 7% of GNP, 2.5 times greater than in 1963. At the same time, means-tested entitlements had grown rapidly; between 1970 and 1981 real spending for these programs more than doubled. Increases in domestic spending were financed by both rising tax burdens and substantial reductions in defense spending, neither of which was sustainable. This inherited budgetary imbalance was accompanied by an economic imbalance. The prolonged economic adjustment of 1981-83 was essential to bring inflation under control, but it lowered the long-term path of nominal GNP and revenues and increased the Federal deficit.

III. KEY POINTS

Criticism: US has not done enough to lower its deficit.

Response: The budgetary actions of the last two years represent a good start toward lowering the inherited imbalances. The 1984 Budget proposes continued progress in reordering budget priorities and reducing projected budget deficits. The budget essentially freezes total outlays in real terms at 1983 levels. The annual growth in nominal outlays is down from 17-1/2% in 1980 to 5-1/2% in 1984. We project the deficit to drop from $190 billion in 1984 to $102 billion in 1988. As a share of GNP, it should drop from 6.5% in 1983 to 2.1% by 1988.

To assure that the deficit drops over time, the Administration has proposed a deficit insurance policy in the form of a stand-by tax equal to 1% of corporate and individual taxable income and a $5/barrel oil excise tax. These taxes would be triggered in 1986-88 only if the deficit exceeds 2.5% of GNP.

Since the budget was proposed, two important bills dealing with the problems of social security financing and unemployment have passed. Congress recently passed the 1983 Social Security Amendment, which resolves both the short and long-term financing crises in Social Security, instilling new confidence in the system. The Jobs Bill legislation enacted by Congress accelerates already planned spending. This will increase jobs in the near term without impinging on the long-term budget outlook.

The budget outlook uses prudent economic assumptions that are more conservative than many forecasters. The budget outlook will improve if the economy does better than expected.

DECLASSIFIED
Authority State Waiver
BY dw NARA DATE 12/17/2019

COMBATTING PROTECTIONISM

I. ISSUE

Faced with the worldwide problems of recession and inflation, calls for protectionism are louder than in many years.

II. ESSENTIAL FACTS

Restrictive trade policies will only serve to further distort international trade and investment flows and could threaten the post-World War II trading system as we know it. The US has taken the lead in the post-war period in creating an international trading and financial system that limits governments' ability to disrupt trade. History has taught us that the freer the flow of trade across borders, the greater world economic progress and the greater the impetus for world peace.

While the US cannot continue to tolerate unfair trading practices which adversely affect either our domestic market or our opportunity to trade and invest elsewhere, US policy has been and should continue to be one which seeks additional market access rather than protectionism.

Therefore, the US feels it must resist domestic and foreign protectionism and do whatever is necessary to preserve the open and competitive world trading and financial systems.

Either the free world continues to move forward and sustain the postwar drive toward more open markets, or we risk sliding back to the tragic mistakes of the 1930s.

III. KEY POINTS

Criticism: It is not credible to say you are against protection when the US and others are taking trade restrictive or distorting actions when it suits their domestic political needs.

Response: All of us take such actions. We need to avoid slipping into a pattern of protection as the easy way out. The only way to do so credibly is to charge our governments with developing a coherent program to reduce barriers. That is why we want the Summit to endorse the call to begin work now on a program to implement the OECD declaration calling for progressive dismantling of barriers, and to prepare for new negotiations in a few years time.

DECLASSIFIED
Authority State Waiver
BY dw NARA DATE 12/17/2019

NEW TRADE NEGOTIATIONS

I. ISSUE

Although Summit countries may not be ready to launch a new round of trade negotiations now, we want to promote an interest in examining ways of liberalizing trade, with special emphasis on trade with LDCs in negotiations in a few years.

II. ESSENTIAL FACTS

The expansion of world trade and the health of the international financial system require growth in LDC exports and increased demand by LDCs for the goods and services of developed countries and other LDCs. Although some LDCs may need to limit import growth temporarily as part of their balance of payments adjustment efforts, the success of those adjustment efforts and the sustained recovery of the world economy depend upon the further liberalization of this trade.

In the GATT Ministerial, the US and Switzerland proposed a special North/South round aimed at MFN liberalization by LDCs in return for preferential access to developed country markets in addition to existing GSP. Most of the other developed nations, with the exception of the Germans, Dutch, and Swedes, were reluctant to endorse this until the strength of Western economic recovery was more apparent. The US task is to keep Summit countries' attention focused on the need to keep their markets open to LDC exports and to launch a process at the appropriate time for developed countries and LDCs to exchange liberalization commitments.

III. KEY POINTS

Criticism: How can we expect high-debt LDCs to make mutual trade concessions in the foreseeable future?

Response: Even if negotiations were launched today, it would be several years before LDC concessions would be implemented. Concessions from high-debt LDCs would have to be consistent with their balance of payment situations.

Criticism: How does the US GSP renewal proposal fit with this line of thinking?

Response: Our proposal for GSP renewal is an important step in liberalizing N/S trade. It offers advanced LDCs an opportunity to negotiate for a greater degree of preferential access than they enjoy under the existing system. The mid-level and least developed beneficiaries will keep existing or expanded unilateral GSP benefits. Since GSP is limited in product coverage, duration and extent of preferences, long-term mutual liberalization will require broader multilateral efforts.

DECLASSIFIED
Authority State Waiver
BY dh NARA DATE 12/17/2019

HIGH TECHNOLOGY TRADE

I. ISSUE

Today almost all nations view high technology industries as critical to their national security. A broad range of interventionist policy instruments has been adopted by many foreign governments to protect and foster indigenous high-technology sectors. We are concerned that these policies, unrestrained, may splinter global markets and reduce the pace of innovation.

II. ESSENTIAL FACTS

Growth in high technology world trade has been rapid, increasing from $25 billion to $500 billion in two decades. However, the US relative share of this trade has been declining.

At Versailles, the French-led initiative on high technology, which endorsed government intervention, was diverted to the preparation of a report on Technology Growth and Employment which recommends, among other things, that "an open and competitive trading system...must be strengthened." You have commended President Mitterrand on the completion of this report.

In May 1982, the US succeeded in launching a study of high technology problems and related governmental policies in the OECD. The US proposed a study of the special trade problems of the high technology sector at the November Ministerial level meeting of the parties to the GATT, which was approved in April.

Multilateralism, the foundation upon which US trade policy is constructed, and the GATT are the best hopes for fostering and maintaining an open and equitable trading system. The support of ongoing work programs in the GATT and the OECD directed toward understanding and addressing the problems of the future in trade in high technology goods and of potentially conflicting government industrial policies can be beneficial to all.

III. KEY POINTS

Criticism: The US is ahead in high technology due to the DOD and large internal market, while we must support this critical area by direct government action to catch up.

Response: The US admits that a robust high-tech sector is a matter of priority to all; however, policies of unlimited governmental intervention will not result in healthy international competition among private firms, but inter-government rivalry that will fractionate markets, slow the development of new technologies and their international application, increase internal costs and be destructive of the open trading system.

DECLASSIFIED
Authority State Waiver
BY dr NARA DATE 12/17/2019

TECHNOLOGY, EMPLOYMENT AND ECONOMIC GROWTH

I. ISSUE

How the Summit should endorse the report on Technology, Employment and Growth commissioned at Versailles.

II. ESSENTIAL FACTS

In response to Mitterrand's initiative at Versailles, a Working Group was set up to study how international cooperation in science and technology could stimulate economic growth and employment. The group produced a report describing the historical contributions of technology to growth, the future potential for stimulating sustained economic recovery, and suggested policies to further international cooperation in 19 areas. The US is lead country in 6 projects, among which are solar system exploration, nuclear fusion and high energy technology, and endorses our efforts in lowering trade barriers and guarding against transfer of sensitive technologies to Eastern Bloc nations.

The Group's report was endorsed by all Heads and published in March. There have been meetings to get the projects underway and and the Working Group met again in early May to review progress on them. Their final report is attached. There is agreement that the Summit should take note of the report and endorse implementation of the technology projects. There is further agreement that there is no need to report to future summits. The French may push for a higher profile treatment of the report, but we recommend it simply be acknowledged as supportive of the economic and trade objectives of the Summit.

III. KEY POINTS

-- We welcome the study and the initiation of cooperation on the projects which have been developed from it.

-- It remains important to stress the critical importance of removing barriers to ensure open markets for trade in high technology products, while guarding against transfer of sensitive technology to our adversaries.

-- We recommend that in our communique we acknowledge the report and endorse its collaborative projects.

~~CONFIDENTIAL~~
DECL:OADR

RESULTS OF THE VERSAILLES SUMMIT WORKING GROUP ON TECHNOLOGY, GROWTH AND EMPLOYMENT MEETING OF MAY 2-3, 1983

The Working group reviewed the reactions to its report which was published on March 25, 1983. Heads of State and Government and Ministries welcomed this report on technology, growth and employment as a useful, additional dimension to the continuing Summit process. Reactions by Parliaments, the public, the scientific community and the press have been generally positive.

The Group also reviewed the progress of the 18 projects in the Report. Some of these have already forged ahead strongly; others are still in the detailed planning stages. In all cases further meetings of interested participants have been, or are being, planned.

The Working Group also considered how its report could be discussed at the Williamsburg Summit and how to ensure continued implementation of the projects. Following are its recommendations and suggestions to the Sherpas of the Summit countries:

At the Summit: In the context of their overall economic objectives, the heads of State and Government could take note of the Working Group's activity and report, and endorse implementation of the projects and the need for enhanced international cooperation. They could also note the importance of technology to developing countries as well as industrialized nations, and provide for their access to the projects following their initial implementation among the Summit countries.

Follow-up after the Williamsburg Summit: Heads of State and Government could recommend that the host country for future summits organize informal meetings of this group to review progress on the projects for cooperation, encourage their implementation, and ensure continued policy-level oversight and coordination as work proceeds.

DECLASSIFIED
Authority State Waiver
BY dl NARA DATE 12/17/2019

SERVICES

I. ISSUE

We will want to discuss the development of international rules for trade in services.

II. ESSENTIAL FACTS

The service sectors (banking, insurance, telecommunications, transportation) offer some of the most dynamic export opportunities among the OECD countries, but a variety of foreign barriers limits exports of services.

Practically all of the 20 million new jobs created in the US in the past 10 years have been in the service sectors. Net job creation during the same period in Europe has been zero. The Europeans have not emphasized services and have failed to develop any meaningful export base in these areas.

Services are not covered by the GATT. The US is urging its trading partners to discuss ways to establish a set of international disciplines that will liberalize trade. France, Italy and the EC oppose these efforts because they believe that resolving traditional trade problems of manufactures and agriculture should have priority.

III. KEY POINTS

Criticism: Efforts at liberalization of services would assist the US but have less relevance for most other countries.

Response: Services are basically strong in all the developed countries because of their knowledge base. Every developed country stands to gain from liberalization because of the significant new employment it would generate and the close relationship to overall competitiveness.

Criticism: Services may be a good idea for the future, but we must first resolve existing problems in manufactures and agriculture before we tackle such a complicated problem.

Response: The services issue will require years of discussion and negotiation which is why work must begin now. We do not have to sacrifice our efforts in the goods area to examine services problems; they can operate in parallel.

~~CONFIDENTIAL~~
DECL:OADR

DECLASSIFIED
Authority State Waiver
BY dh NARA DATE 12/17/2018

AGRICULTURE

Authority: State Waiver
BY dh DATE 12/17/2019

I. ISSUE

The US should reinforce efforts to obtain the European Community's (EC) commitment to limit use of agricultural export subsidies in its Common Agricultural Policy (CAP) and to negotiate a strengthening of the GATT rules on agricultural trade.

II. ESSENTIAL FACTS

The CAP guarantees high prices to farmers, encouraging excess production. Export prices can be lowered to world levels only by subsidies. Subsidies of this size cause major distortions in world trade and disadvantage competitive exporters (e.g. the US). The EC is now second to the US in farm exports.

Because the CAP depends on export subsidies to dispose of its surplus, the EC has resisted efforts to tighten agricultural trade rules. To counter these subsidies in third markets, the US seeks to limit the use of export subsidies by changing world trade rules, retaliates with actions such as subsidized flour sales to Egypt, and attempts bilateral dialogue with the EC.

The US has taken unprecedented steps to curb production and has endeavored to act responsibly in the international area. Congressional concern about EC subsidies may result in a legislatively-mandated US countersubsidy program, which could damage our bilateral relationship and the world trading system.

We do not challenge the CAP, a cornerstone of European unity, and we recognize the political difficulties for the EC in this area. But the destructive potential of an escalating trans-Atlantic dispute over agricultural trade is great and the time we have to deal constructively with the problem is short.

III. KEY POINTS

Criticism: Current GATT rules permit export subsidies for primary agricultural products under certain conditions.

Response: The commitment to an open and liberal trading system should include strengthening the GATT rules on agricultural export subsidies and other unfair practices. Although current rules allow export subsidies on primary agricultural products, we need to work together over time to minimize the trade and resource distorting effects of these practices.

Criticism: The US also has a large, costly farm program.

Response: This argument is irrelevant. Most nations support domestic agriculture. The issue with the EC is export subsidies, not the size of respective domestic support programs.

~~CONFIDENTIAL~~
DECL:OADR

INTERNATIONAL COMMODITY ISSUES

I. ISSUE

Sharp declines in commodity export earnings have cut deeply into the incomes of many LDCs. They seek corrective initiatives such as additional price stabilization agreements and augmented compensatory financing. Some Summit partners (e.g., France and FRG) may urge US cooperation in these schemes.

II. ESSENTIAL FACTS

Non-fuel commodity prices fell 25% between 1980 (a high price year) and 1982. Some recovery is occurring but these prices are likely to remain soft. LDCs want new price-raising commodity agreements, new concessional credit lines inside and outside the IMF to offset the decline in export receipts, and improved access to world markets. All will be important issues at UNCTAD VI. Our Summit partners agree that quick-fix commodity agreements are inappropriate. Canada sometimes supports US general opposition to suggested measures, but often takes cooperative attitudes toward LDCs. The Japanese give some support to LDC positions, particularly when ASEAN's interests are at stake. The UK often sides with the US in preferring to avoid market disruptive policies and large resource transfer programs.

III. KEY POINTS

Criticism (France and Italy): US opposition to new price-stabilizing agreements contributes to polarization of N/S relations. More flexibility would help defuse LDC confrontational positions, and contribute to market stability for commodities.

Response: The recession in industrial countries is the major cause of low commodity prices. The emerging recovery has arrested the decline. Restrictive agreements which promote inefficiency in market allocation will only postpone the necessary adjustments to changing world market conditions. US policy has been positive: we have resisted protectionism, adopted GSP, proposed a N/S trade round, agreed to an increase in IMF resources, participated actively in commodity discussions, and taken steps to help manage the current debt problems of LDCs.

Criticism (UK, France, FRG): The US has opposed proposals for easier LDC access to the IMF's Compensatory Financing Facility (CFF) and has refused to discuss in UNCTAD the need to complement IMF resources through a new facility outside the IMF.

Response: Export earnings stabilization is essentially a balance of payments (BP) issue which can be dealt with best in the IMF in the context of overall BP financing. The IMF will review the CFF in June and will decide at that time whether changes in the CFF are necessary. A new multinational institution to complement IMF's efforts would be counterproductive.

~~CONFIDENTIAL~~
DECL:OADR

DECLASSIFIED
Authority State Waiver
BY db NARA DATE 12/17/2019

ROLE OF THE INTERNATIONAL MONETARY FUND (IMF) AND OTHER OFFICIAL CREDITORS

I. ISSUE

We should try to obtain endorsement of the IMF's role in dealing with current balance of payments and debt problems, urge timely ratification of the agreement to bolster IMF resources through the increase in quotas and enlargement of the General Arrangements to Borrow (GAB) and encourage closer cooperation among major countries in responding to financial emergencies.

II. ESSENTIAL FACTS

The IMF is the key institution in international efforts to ensure continued availability of official financing on a scale sufficient to enable debtor countries to adopt orderly adjustment measures. Agreement has been reached on an increase in IMF resources, including a 47% increase in quota subscriptions (to $99 billion) and a revision/expansion of the GAB to deal with systemic threats. The US and other countries are currently seeking the necessary legislative authority to implement the resource increase by November 30, 1983. Additionally, monetary authorities of the major countries, in cooperation with the Bank for International Settlements (BIS), have provided short-term bridge financing to some countries in situations involving system-wide dangers to tide them over during negotiations with the IMF and other creditors. Discussions are taking place to develop an early-warning system of emerging debt problems and to provide a more organized mechanism of responding to emergency financing needs which threaten the system.

III. KEY POINTS

Criticism: Summit countries strongly support the IMF's efforts but France and possibly Canada, Italy, and the EC may argue for increasing IMF financing and easing the economic policy conditions on use of IMF resources.

Response: IMF financing may ease adjustment burdens but does not remove borrowers' needs to put their houses in order. The key to IMF success is the ability to promote sound policies.

Criticism: France may ask IMF allocation of Special Drawing Rights (SDR) (an international reserve asset) to provide extra financing for LDCs.

Response: We are prepared to consider SDR allocation on the merits but remain concerned about the potential impact on inflation expectations and on Congressional support for IMF legislation. We want to avoid arousing LDC expectations.

DECLASSIFIED
Authority State Waiver
BY dh NARA DATE 12/17/2015

ROLE OF COMMERCIAL BANKS

I. ISSUE

Commercial bank lending to less developed countries (LDCs) is larger than that of all other lenders combined. Continued commercial bank lending to LDCs with IMF adjustment programs is vital if adjustment programs are to succeed. In recent months, some commercial banks, both US and foreign, have sought to limit or reduce their lending to troubled borrowers. Regulatory proposals in the US probably will have the effect of further restraining many banks' willingness to increase foreign lending.

II. ESSENTIAL FACTS

As a matter of policy, the USG does not attempt to influence the specific lending of individual banks. We feel banks must be responsible for their own judgments; if the lending decisions are poor, the banks will suffer reduced profits and potential or actual losses. In shaping its adjustment programs, the IMF has required commercial banks to increase exposure in Mexico (by $5 billion), Brazil (by $4.5 billion), Argentina (about $1.5 billion), and Yugoslavia (about $600 million). This already accounts for about half the total estimated new commercial bank lending to non-OPEC LDCs in 1983.

III. KEY POINTS

Criticism: Will this mean that bank lending will continue to be excessive?

Response: Some slowdown in the rate of growth of international lending is expected in the context of reduced interest rates, lower inflation, slack economic conditions, heightened prudential considerations, and ongoing adjustment efforts in borrowing countries. Exposure in LDCs relative to bank capital might decrease.

Criticism: Should official creditors let banks decrease exposure?

Response: No, the burden of new and rescheduled lending should be fair to all participants.

Criticism: The US should urge its banks to increase net lending, both to assure against a financial collapse and to preserve the role of private finance in LDCs.

Response: We are willing to make general statements to encourage new lending, but prefer not to twist arms on specific cases. Our banks have, in fact, cooperated in many tough cases and we believe they are fully aware of their responsibilities and where their long-term interests lie.

DECLASSIFIED
Authority State Waiver
BY db NARA DATE 12/17/2019

THE MULTILATERAL DEVELOPMENT BANKS (MDBs) AND THE INTERNATIONAL DEVELOPMENT ASSOCIATION (IDA)

I. ISSUE

Other Summit countries are concerned that we will not be able to complete our IDA VI contribution in FY84. This would jeopardize the projected July start of IDA VII. In addition, the World Bank (IBRD) and LDCs appear to have unrealistic expectations regarding the size of IDA VII. Some Summit countries may also support an increase in the IBRD's lending program.

II. ESSENTIAL FACTS

IDA VI originally covered the 3-year FY81-83 period. US funding was later spread over 4 years. Administration assurance to complete IDA VI funding by FY84 caused others to provide $2B more for FY84. $1,340M is needed to complete our contribution.

Versailles called for early IDA VII negotiations. Begun in November 1982, they are clouded by uncertain US IDA VI funding. The IBRD has asked for unrealistic IDA VII funding.

There is growing support among IBRD members for an increase in the $60 billion FY82-86 IBRD lending program.

III. KEY POINTS

Criticism: The US is not providing adequate financial support for the MDBs, particularly IDA.

Response: We are strongly committed to all the MDBs. FY83 subscriptions and contributions totaled $3.65 billion, including callable capital.

IDA funding is a special problem. There has been strong Congressional opposition to the IDA VI agreement. We have requested a $245M FY83 supplemental. This, plus the $1,095M FY84 request, will complete the US contribution. Congressional approval of full IDA VI funding by FY84 will be difficult.

The impact of any US IDA VI shortfall on the timing of US participation in IDA VII depends on the size of the shortfall. At this time, we still expect to participate in FY85.

IDA VII funding will probably be scarce. It is important not to have unrealistic expectations. We must be careful not to overstate the importance of IDA to LDC economic recovery. Sustained OECD growth, maintenance of an open world trading system, and pursuit of appropriate LDC domestic policies are paramount.

The $60 billion FY82-86 IBRD lending program will be adequate provided IBRD resource allocation is more effective.

~~CONFIDENTIAL~~
DECL:OADR

DECLASSIFIED
Authority State Waiver
BY dlb NARA DATE 12/17/2015

INTERNATIONAL INVESTMENT

I. ISSUE

To convince the Summit countries of the urgent need to reaffirm support for nondiscriminatory treatment of investment and to achieve greater global consensus to address investment problems -- especially government interventionist practices which distort or restrict investment and trade flows.

II. ESSENTIAL FACTS

As the world economic system improves over the next several years, growth prospects will pick up in both developed and developing countries, but capital availability will be a significant constraint on recovery. A key US goal is to encourage the Summit countries to reaffirm and extend their commitment to the principles of nondiscrimination embodied in the 1976 OECD investment instruments, especially the national treatment principle (the principle that foreign investors should be treated no less favorably than domestic investment in like situations). Some developed countries, such as Canada and France, though nominally committed to national treatment, have adopted policies which discriminate against foreign investors.

For the developing countries, planned levels of official development assistance and private credit flows are expected to fall short of expanding needs. Private investment can pick up some of the slack. LDCs seem to recognize this but many are unwilling to commit themselves to policies which would provide a stable framework for investment. The Summit countries should encourage developing countries to adopt liberal domestic economic policies which will encourage investment flows, and explore multilateral means of achieving the same objective.

III. KEY POINTS

<u>Criticism</u>: Developed countries are open to investment.

<u>Response</u>: Generally yes, but serious problems remain re treatment of investment, entry barriers, and disincentives. All need to be addressed in the OECD and bilaterally. We should resist pressure from the OECD to deviate from national treatment.

<u>Criticism</u>: The developing countries oppose efforts to reach global understandings on investment.

<u>Response</u>: This is a shortsighted view. Investment flows to developing, especially the poorest, countries are clearly insufficient for their needs. The advanced developing countries have an increasing stake in maintaining a healthy global investment system, and must share the responsibility for this.

~~CONFIDENTIAL~~
DECL:OADR

DECLASSIFIED
Authority State Waiver
BY dh NARA DATE 12/17/2019

BILATERAL AID

I. ISSUE

Many less developed countries (LDCs) face large balance of payments deficits resulting from worldwide recession, weak demand and low commodity prices, inappropriate economic policies, and large debt servicing requirements. A major concern is how the international community can help these countries address their economic problems and reestablish a viable economic position and economic growth. Summit participants may wish to explore the possible role of bilateral assistance programs in assisting this adjustment process; currently most bilateral programs emphasize long term project assistance.

II. ESSENTIAL FACTS

The US believes that the reestablishment of non-inflationary economic growth in the developed world is central to the long term performance of the LDCs. We also believe that the IMF is the primary institution to assist the LDCs in their effort to address their immediate balance of payments problem. We continue to believe that our bilateral economic assistance program should be primarily focused on addressing the long-term development problems of these countries.

III. KEY POINTS

Criticism: In light of the serious balance of payments problems of the LDCs, should donors provide more assistance in program form rather than project form?

Response: While in specific circumstances we have provided liberal balance of payments assistance, generally in conjunction with the IMF, we believe our bilateral program should continue to focus on longer term problems of development.

Our bilateral assistance program emphasizes four basic elements: promotion of an increased reliance on market forces and the utilization of private initiative; development of the infrastructure necessary for long-term development; encouragement of sound economic policies; and assistance to increase the LDCs capacity to obtain, develop and adapt technology.

Criticism: How can donors increase the effectiveness of their assistance efforts, particularly in Africa?

Response: Increased coordination among donors reduces chances of donors working at cross purposes. The recent efforts for Kenya and Sudan, which have included the adoption of a leadership role by a major donor, represent a useful approach.

DECLASSIFIED
Authority State Waiver
BY dls NARA DATE 12/17/2019

DEBT PROBLEMS OF OIL EXPORTING COUNTRIES

I. ISSUE

The decline in oil prices is creating serious financial difficulties for some LDC oil exporters, particularly Mexico, Venezuela and Nigeria. This has caused loss of business for some Summit country exporters and arrears on debt-service payments to Summit country banks.

II. ESSENTIAL FACTS

Mexico, alone among the oil exporters, has debt of such magnitude that serious aggravation of its present problems could pose a threat to the stability of the world financial and trade systems. Mexico has undertaken an IMF stabilization program supported by a package of financial assistance. World recovery should help Mexican economic and debt servicing prospects, and creditor cooperation should prevent a new crisis.

Elsewhere in Latin America, Peru also has IMF-supported economic programs in place. Ecuador is negotiating a program and Venezuela may seek one. These countries sharply reduced imports last year, adversely affecting some US exporters. There may be further cuts this year.

In Asia, Indonesia and Malaysia had strong balance of payments positions at the beginning of 1982 and have recently undertaken strong adjustment measures.

In Africa, Nigeria has yet to take significant actions and may encounter serious financing problems before year end.

Private bank exposure is $64 billion in Mexico, $27 billion in Venezuela, $8 billion in Indonesia and $7 billion in Nigeria.

III. KEY POINTS

Criticism: Reduced imports and debt service payments threaten Summit country exporters and the banking system.

Response: Economic gains to oil importers from cheaper oil should outweigh oil-exporter losses. Nevertheless, the problems of oil exporters will need careful attention. Summit countries need to encourage continued adjustment by these formerly prosperous LDCs. The Summit countries need to provide adequate private and official financing, maintain open trade with the LDCs, and achieve long-run non-inflationary growth to help reduce interest rates even further.

~~CONFIDENTIAL~~
DECL:OADR

DECLASSIFIED
Authority State Waiver
BY db NARA DATE 12/17/2019

DECLASSIFIED
Authority State Waiver
BY dw NARA DATE 12/17/2019

DEBT RESTRUCTURING

I. ISSUE

Some question whether special forms of debt relief are necessary to keep major borrowers from repudiating international debt or to prevent failure of the world financial system.

II. ESSENTIAL FACTS

The US has a broad-based strategy to deal with international debt problems. It includes all key participants -- LDC borrowers and governments, governments in the developed world, commercial banks and the IMF. The strategy has five key parts:

-- Most important is effective adjustment in borrowing countries. While they must take steps immediately to put their economies back on a stable course, this adjustment will take a number of years to complete to be orderly and effective.

-- The continued availability of official balance of payments financing on a scale sufficient to help see troubled borrowers through this adjustment period. Since the key institution for this purpose is the IMF, it is urgent that Congress enact the proposed increase in IMF resources.

-- The willingness of governments and central banks in lending countries to act quickly to respond to debt emergencies, but only in extraordinary circumstances on a case-by-case basis.

-- Continued commercial bank lending to countries that are pursuing sound adjustment programs.

-- Resumption of economic growth and maintenance of an open trading system so that borrowers will be able to increase exports and improve their balance of payments positions.

III. KEY POINTS

Criticism: This strategy seems overly optimistic.

Response: Existing strategy has a reasonable chance for success. The near term may be turbulent and there may be unexpected problems. Assuming resumption in world growth, medium term chances for improving debtor financial positions are good.

Criticism: Can we take more direct action?

Response: There are no quick fixes. All such proposals have major flaws which would deter needed adjustment in borrowing countries, serve to reduce commercial bank financing, and ultimately put more of the risk on the US taxpayer.

DEBT SERVICE RATIOS OF KEY LDCS

This chart shows interest payments plus amortization of long and medium-term debt as a percent of exports of goods and services.

Country	Percent
Argentina	101
Bangladesh	less than 1
Brazil	79
Chile	64
Colombia	33
Guatemala	22
India	9
Israel	35
Ivory Coast	41
Jordan	8
Korea	18
Mexico	66
Morocco	42
Pakistan	15
Peru	63
Philippines	32
Singapore	less than 1
Syria	18
Taiwan	7
Thailand	21
Tunisia	14
Zaire	63

~~CONFIDENTIAL~~
DECL:OADR

DECLASSIFIED
Authority State Waiver
BY dh NARA DATE 12/17/2019

INTEREST RATES: THE EFFECT ON LDCS

I. ISSUE

Other Summit countries argue that a reduction in US interest rates would be the fastest and most effective way to strengthen LDC balance of payments positions, as trade liberalization is a lengthy, difficult process.

II. ESSENTIAL FACTS

The increase in interest rates (LIBOR) from 9% in 1978 to 17% in 1981 together with heavier LDC reliance on private credit were factors in the rising LDC debt-servicing costs and current account deficits from 1978 to 1982. Other factors included: higher oil prices, world recession, weak LDC adjustment, and increased protectionism.

While a one percentage point drop in LIBOR reduces annual non-OPEC LDC gross interest payments by about $2-1/2 billion, the net savings (after deducting loss of interest receipts) is $1-1/2 billion. This amounts to only about 1/2% of non-OPEC LDC merchandise imports.

A 1% faster OECD growth rate would earn non-OPEC LDCs roughly $10 billion more per year.

III. KEY POINTS

Criticism: A cut in US interest rates would help LDCs.

Response: US interest rates cannot be brought down by administrative action. Short-term monetary policy measures such as injecting liquidity would be inappropriate. This would restimulate inflation and force interest rates up. LIBOR interest rates have already fallen from 17% in 1982 to 9% now.

Criticism: Other economic variables are less important than interest rates.

Response: There are substantial benefits to be had from increased OECD growth and trade. In particular, many of the poorer would especially gain from recovery of commodity exports. A relaxation of trade protectionism would benefit the more advanced LDCs.

~~CONFIDENTIAL~~
DECL:OADR

DECLASSIFIED
Authority State Waiver
BY dle NARA DATE 12/17/2019

INSTITUTIONAL INNOVATION IN TRADE AND FINANCE

I. ISSUE

International trade and finance relationships are now very relevant to sustainable growth and stability in the world economy. We need to coordinate trade and finance policy better.

II. ESSENTIAL FACTS

The debt situation, global recession and protectionist trends have brought relationships between macroeconomic/financial policies and trade policies into sharper focus. Better economic performance, growth in world trade and orderly resolution of LDC debt problems require recognition that:

-- sustainable non-inflationary growth depends on maintaining and expanding open multilateral trading system;

-- ability to service debt is linked to exports;

-- availability of financing to support orderly adjustment by LDCs helps them to maintain essential imports. This also assists sustainable recovery in developed countries.

The Trade and Finance Ministers meeting on May 10-11 in Paris endorsed the idea that better coordination of trade and financial policies can be promoted by encouraging meetings between trade and finance officials and closer cooperation between the IMF, GATT and OECD.

III. KEY POINTS

Criticism: The world economic system is beginning to recover. Why should we worry about trade/finance links?

Response: Serious debt problems and a decline in trade require that we focus on critical relationships between debt problems and protectionist pressures in N/S trade. In the short-term, LDCs need adequate external finance to maintain imports essential for orderly adjustment. In the short and longer-term, LDCs must expand exports to developed countries for debt servicing. Thus it is important to preserve market access.

Criticism: Trade/finance meetings and rhetoric about improved cooperation among international institutions waste time which distracts us from the real challenges.

Response: We should encourage trade/finance meetings to maintain and expand open world trade, investment and finance and to promote policy coordination among the IMF, GATT and OECD.

~~CONFIDENTIAL~~
DECL:OADR

DECLASSIFIED
Authority State Waiver
BY dh NARA DATE 12/17/2019

"EXTRATERRITORIALTY"

I. ISSUE

Some Summit participants, particularly the UK, Canada, and France, object to the "extraterritorial" application of US law to persons or conduct in their territories.

II. ESSENTIAL FACTS

Jurisdictional conflicts occur in several areas involving important US interests, including antitrust, export controls and the US embargo against Cuba. The US believes it is proper to regulate certain conduct by foreign subsidiaries of US companies or by persons abroad because their conduct is connected to the US or has substantial effects here. The UK and others say many US actions violate international law, impose US policy on their economies without their consent, and cost them jobs and trade.

The US is determined to avoid "extraterritorial" conflicts when possible. We have recently held bilateral discussions with the UK and Canada (at their initiative) on "extraterritoriality" and are seeking practical ways to reduce jurisdictional conflicts despite differences of principle. The OECD Working Group on International Investment Policies (with US participation) will soon begin to examine the impact of jurisdictional conflicts on international investment climate.

The Administration-proposed amendments to the Export Administration Act, although perhaps not as extensive as our allies would like, indicate the attention now given to this subject (especially on the subject of pre-existing contracts).

III. KEY POINTS

Criticism: The US reaches too far in trying to regulate behavior in foreign countries. It claims jurisdiction over companies that are not US companies and over products that are no longer in US territory.

Response: US controls are essential to important national interests, and are consistent with international law.

Criticism: US "extraterritorial" actions have high economic and political costs. Attempts to control US overseas business activties would cause the US to object.

Response: We recognize that costs can arise from jurisdictional conflicts. For this very reason, we should attempt to avoid such conflicts by seeking common approaches to common problems (as in the area of national security export controls).

~~CONFIDENTIAL~~
DECL:OADR

State Waiver
BY db DATE 12/17/2019

NORTH/SOUTH (N/S) DIALOGUE

I. ISSUE

Our Summit partners will press for a forthcoming approach to LDCs and may seek positive language in the joint statement.

II. ESSENTIAL FACTS

Versailles focused on LDC demands for Global Negotiations (GNs) as a means to achieve their goal of a New International Economic Order (NIEO). Summit leaders responded with a proposed basis for GNs which assures the independence of specialized agencies and does not accept NIEO as the sole basis for the discussions. LDCs rejected these proposals, but faced with continued Summit country unity on this issue, they have put GNs on ice until 1984. Moreover, they have moderated their rhetoric somewhat, although its substance remains the same.

Our Summit partners feel more dependent on LDCs for resources and markets than we do. As at Versailles, France, with some support from Canada, Japan and Italy, wants to project a conciliatory attitude towards LDCs, including Summit agreement on some economic concessions at UNCTAD VI. The FRG and UK are closer to our view that we should resist more strongly LDC demands for sweeping economic changes.

A united Summit position on N/S issues, based on restored OECD growth, an open trade and finance system, LDC domestic measures, and specialized agency effectiveness offers the best chance of encouraging realism and moderation among LDCs.

III. KEY POINTS

Criticism: The US is insensitive to LDC problems and this harms Western political, security and economic interests.

Response: We are greatly concerned about LDCs, and recognize our mutual interests in restoring global economic health. But it is essential to LDC growth that they adopt sound, market-oriented policies. We should not perpetuate the illusion that resource transfers will solve their problems.

Criticism: The US is failing to deal with serious LDC economic problems caused by the OECD recession, including high interest rates and sharply reduced demand for LDC exports.

Response: Restoring sustained, non-inflationary OECD growth is the most important thing we can do for LDCs. Our support for increased IMF resources, open trading policies and emergency measures for large debtors demonstrates our ability to take strong, effective measures. The Western-led trade and financial system, including its specialized economic institutions, has a demonstrated record of success and adaptability.

~~CONFIDENTIAL~~
DECL:OADR

DECLASSIFIED
Authority State Waiver
BY dh NARA DATE 12/17/2019

ECONOMIC PROPOSALS FROM MEETINGS OF THE NON-ALIGNED MOVEMENT (NAM) AND THE GROUP OF 77 (G-77)

I. ISSUE

Most developing countries and many of our industrialized allies expect the Williamsburg Summit to address the economic proposals adopted at 1983 NAM Summit and G-77 Ministerial.

II. ESSENTIAL FACTS

The NAM economic declaration cites the US, though not by name, as being responsible for the economic distress of developing countries and calls for 39 immediate measures involving substantial resource transfers to LDCs and sweeping changes in the world economic system. These measures include the adoption of stimulative economic policies by the developed countries, proposals to address the balance of payment problems of developing countries, securing of higher prices for commodity exports and reduction protectionist trends and trade barriers. An international conference with universal participation was called for to restructure the international monetary and financial system. The necessity of global negotiations was repeated, but support for them was less prominent than in the past. Finally, all heads of state and government were urged to meet in New York during the UN General Assembly this autumn. The US has made strong demarches criticizing the NAM results as being unbalanced and detrimental to a practical, constructive dialogue between developed and developing countries.

The G-77 met to work out unified LDC positions on issues before UNCTAD VI. The economic proposals adopted are consistent with those of earlier NAM meetings. The G-77 seeks action-oriented results at UNCTAD to begin implementing many of them.

III. KEY POINTS

Criticism: The US is too negative on the results of the recent NAM and G-77 meetings. The tone at both meetings showed a new moderation and pragmatism among the developing countries.

Response: We recognize that there were some positive elements in the results of these meetings but we believe there must be considerable improvements for constructive dialogue to begin. The economic proposals are not strikingly different in rhetoric or substance from previous NAM or G-77 demands for a radical international redistribution of wealth and economic power. In discussions of development issues the US will make the case for sound domestic and international economic policies that have a proven record of effectiveness.

~~CONFIDENTIAL~~
DECL:OADR

DECLASSIFIED
Authority State Waiver
BY dlr NARA DATE 12/17/2019

THE SIXTH UN CONFERENCE ON TRADE AND DEVELOPMENT (UNCTAD VI)

I. ISSUE

Our allies will want to discuss policy for UNCTAD VI.

II. ESSENTIAL FACTS

With the fading of Global Negotiations (GNs), UNCTAD VI will be the major North/South (N/S) event this year. The conference convenes in Yugoslavia immediately after Williamsburg, and LDCs will expect Summit leaders to address N/S issues.

US objectives at UNCTAD VI are to: 1) project an image of united Western economic leadership and confidence in the ongoing economic recovery; 2) gain wider recognition of the real problems of development and the interests of all countries in sustaining and improving world trading and financial systems; 3) avoid outcomes that are economically unsound, financially costly or impinge on other institutions' competence; 4) encourage UNCTAD activity in more constructive channels and gain a more evenhanded representation of Western views within the UNCTAD Secretariat; and 5) further diminish LDC pressures for GNs.

We basically agree on most UNCTAD issues, but differ somewhat on commodities and services. Some allies (France) are more apt to respond to LDC demands. The FRG, as EC spokesman, will be pressed by its colleagues to accept conciliatory positions.

III. KEY POINTS

Criticism: The US approach to UNCTAD VI is not sufficiently responsive to LDC concerns and risks N/S discord.

Response: If the Summit countries project an image of united Western economic leadership and confidence in economic recovery, and emphasize the benefits of open trade and finance, it will foster confidence and realism among LDCs. We need to encourage a focus on the real problems of development, including the essential need for sound domestic policies and the avoidance of outcomes that are economically unsound. By maintaining a united position, we can reach our objectives and avoid a N/S confrontation, as we have been able to do on GNs.

Criticism: We need to make some minor economic concessions at UNCTAD VI to encourage their recent moderating trend.

Response: We can best encourage moderation by citing recent economic events (US recovery, declining interest and inflation rates, IMF quota increase, overall approach to debt/liquidity problems). Concessions on economically unsound proposals will only encourage continued radical demands by LDCs.

~~CONFIDENTIAL~~
DECL:OADR

State Waiver
dh 12/17/2015

MITTERRAND'S POSSIBLE INITIATIVE ON AFRICA

I. ISSUE

Mitterrand may propose that Summit leaders offer new help to ease the deep economic crisis that engulfs most of Africa.

II. ESSENTIAL FACTS

In his remarks to the OECD ministers May 8, Mitterrand said
Africa could become the "Lost Continent of Development", unless dramatic action were taken.

The crisis is real. Growth is stalled, per capita food production is falling and financial difficulties limit increases in food imports.

The crux of the problem is inadequate incentives for farmers and poor economic policies, particulary controlled prices and overvalued exchange rates. New aid and agricultural investment will not help while policy reform is absent. Some African leaders seem to recognize that current approaches are failing.

We have considered the possibility of major donors coordinating their aid in order to encourage necessary policy reforms. US input could be PL-480 Title III and development assistance.

If it helps gain French support for US Summit objectives, we could agree to consider with other Summit countries a coordinated effort to encourage new policies for growth in Africa.

III. KEY POINTS

-- Mitterrand has identified a crisis that could make Africa a continent of turmoil.

-- Increased aid will not help unless there is policy reform, particularly those stifling agricultural development.

-- Summit countries ought consider a way to coordinate part of their aid so as to reward real reforms, thus encouraging others. The World Bank, working with the Africans, might propose the specific reforms and advise the donor group.

~~CONFIDENTIAL~~
DECL:OADR

DECLASSIFIED
Authority State Waiver
BY dlb NARA DATE 12/17/2015

ACID RAIN

DECLASSIFIED
Authority State Waiver
BY dlr NARA DATE 12/17/2017

I. ISSUE

Many allies are concerned about acid rain, believed to be caused by sulfur dioxide, and its effects on lakes and forests.

II. ESSENTIAL FACTS

The US and Canada stated their intention to develop an agreement on transboundary air pollution (acid rain) in 1980. You have confirmed our desire to work with Canada to understand the problem and find a solution, but noted this would take time. Negotiations began in June 1981. Canada proposes the two countries reduce sulfur dioxide (SO2) emissions 50% by 1990 to protect threatened resources. The US believes greater scientific understanding and assurance of the effectiveness of the controls are needed before such decisions could be made, particularly as new controls would be costly for the US--$4-7 billion annually--and would have serious impact in high unemployment areas. US and Canadian scientists have developed considerable understanding of acid rain in joint reports, but there are serious gaps in knowledge and disagreement on how to proceed. Peer reviews of the reports are expected to be finished in each country in June.

We are party to the Economic Commission for Europe (ECE) Convention on Long-range Transboundary Air Pollution. Nordic countries have been assertive of the need for lower SO2 emissions. Early in 1983, they proposed to ECE countries a 30% reduction over ten years. The FRG is enacting new rules to cut SO2 emissions one-third by 1993, at a cost of $2-5 billion. Canada sees the Nordic and FRG initiatives as supportive of its case. We can accept a call in the final statement for increased cooperation on environmental problems, including acid rain.

III. KEY POINTS

Criticism: US has not done enough to control acid rain.

Response: We are concerned about the effects of acid rain and are committed to working with Canada and the ECE to solve the problem. Existing US controls have reduced air pollution significantly. It is premature to begin costly new controls given uncertainty about steps to take and their efficacy. We soon expect a firmer basis for considering new controls based on expanded research to be funded in FY84 at about $28 million.

In April Secretary Shultz and Canadian Foreign Minister MacEachen agreed on steps to expand common understanding of the acid rain problem in order to move the discussions ahead. The US will expound on the Canadian paper on abatement options. The chairmen of the two peer review panels will advise the Secretary and MacEachen on the issue. EPA Administrator Ruckelshaus and Environment Minister Roberts will take part in the next ministerial meeting.

JAPANESE PROPOSAL ON CANCER RESEARCH

I. ISSUE

Whether the US should agree to a Japanese proposal to expand international cooperation in the area of cancer research.

II. ESSENTIAL FACTS

In March, Prime Minister Nakasone directed that a 10-year Cancer Control Program be developed. He said that the program would have an international dimension.

Nakasone may make an appeal during the Summit for major countries to cooperate and make their best efforts to solve this problem. Japan recognizes that the ultimate success of any program would be greatly enhanced by US participation.

The proposal for US cooperation (which has been raised with Secretary Heckler personally) would be to invite US scientists to work in Japan. Japan would pay all expenses.

We should be receptive to the Japanese proposal. The National Institutes of Health (NIH) believes that the Japanese effort in biomedical research areas is comparable to ours. The US pays all expenses (about $2.8 billion in 1982) for the 200 Japanese scientists currently at NIH. No US scientists are known to be working in Japanese labs. Accepting the Japanese proposal would partially correct this imbalance.

III. KEY POINTS

Cancer control is a world problem. I am pleased that Japan plans to expand its own efforts and encourage others to do likewise.

IF NAKASONE MENTIONS THE PROPOSAL TO INVITE US RESEARCHERS TO WORK IN JAPAN:

I especially welcome the proposal to provide opportunities for US researchers to work in Japan. I know that many Japanese researchers have been working at our National Institutes of Health, and am interested in following the progress you are making in Japan.

~~CONFIDENTIAL~~
DECL:OADR

DECLASSIFIED
State Waiver
BY db NARA DATE 12/17/2019

LIMITING ENERGY DEPENDENCE

I. ISSUE

We seek to limit future purchases of Soviet gas, accelerate development of OECD energy sources on an economic basis, and limit vulnerability of OECD to supply interruptions.

II. ESSENTIAL FACTS

The OECD/IEA Energy Requirements Study, although one of the series of East-West studies initiated last fall, is global in scope as it covers all sources and forms of energy. A key finding of the study confirmed US analysis that projected gas supplies are likely to fall short of European demands in the 1990s, and the gap can be met by Norwegian or Soviet supplies.

In drawing policy conclusions to the study, IEA Energy Ministers agreed to avoid undue dependence on any one source of gas imports and to ensure that no one producer can use monopoly power. Specific attention was drawn to the Norwegian Troll gas field and the need for improved security measures. Countries agreed to notify each other of potential changes in gas supply patterns and to review regularly in depth gas security issues.

In reducing reliance on oil, we should avoid overdependence on single sources for gas. Left alone, the USSR could win the lion's share of the market for new gas supplies to Europe in the 1990s. If we can limit our countries' gas dependence to prudent levels, it will help to ensure development of important indigenous resources, such as the Troll gas field in Norway. Policy Conclusions to the IEA/OECD Energy Requirements Study recognize our common interest in gas supply security and the need for close, continuing cooperation in this area.

III. KEY POINTS

Criticism: Restricting Soviet gas sales would give the Norwegians undue advantage in commercial gas negotiations.

Response: Oil and coal compete effectively with new Norwegian gas and are likely to be priced lower on a btu basis.

Criticism: It is better to use Soviet gas now and reserve indigenous supplies for emergency needs.

Response: Development of gas infrastructure is a long-term effort. Without the prospect of a sizable market, no one will invest in development of OECD-area gas. Thus, in a crunch, indigenous supplies would not be there.

~~CONFIDENTIAL~~
DECL:OADR

DECLASSIFIED
Authority State Waiver
BY dh NARA DATE 12/17/2019

NATO ROLE IN EAST-WEST ECONOMIC RELATIONS

I. ISSUE

The role of the NATO Study on East-West Economic Relations in attaining key US East-West objectives.

II. ESSENTIAL FACTS

The final conclusions of the NATO study on the security implications of East-West economic relations will not be available to the Summit governments prior to the Williamsburg meeting since the study will have to be considered by the NATO ministers at their June 9-10 meeting. However, the Summit participants will be aware of the Economic Committee's work.

On May 18, the North Atlantic Council reviewed and approved transmittal of the study to the Ministers. Our primary objective for the Ministerial Meeting is to have the NATO ministers endorse conclusions in line with the principles stated in the "Summary of Conclusions."

France is opposed to any formalization of a collective, comprehensive doctrine of East-West economic relations and will likely oppose any joint statement that is not confined to security-related economic issues. Japan, which has been only informally associated with the NATO study, opposes using the study as a "predetermined basis for discussion" at the Williamsburg Summit.

At Williamsburg it would be appropriate to refer to the importance of the work underway in NATO, but specific discussion of possible conclusions should be deferred to the NATO Ministerial Session.

III. KEY POINTS

-- We attach great importance to the study which NATO is carrying out on the security implications of East-West economic relations.

-- Expect that the NATO ministers at the June NATO Ministerial will draw appropriate policy conclusion from the study and the subsequent discussion in the North Atlantic Council.

-- We expect that NATO will be involved in follow-up work on the security implications of East-West economic relations.

~~CONFIDENTIAL~~
DECL:OADR

DECLASSIFIED
Authority State Waiver
BY dh NARA DATE 12/17/2019

COCOM: COVERAGE AND STRENGTHENING

I. ISSUE

Endorsement of the agreed conclusions of the April COCOM High Level Meeting (HLM) at the Summit could add increased momentum to USG efforts to strengthen multilateral controls on strategic items, to encourage increased enforcement activities by member governments, and to upgrade the COCOM Secretariat.

II. ESSENTIAL FACTS

The USG had called for a COCOM HLM to maintain and foster political-level support in other governments for key US proposals in the ongoing COCOM List Review and for US initiatives for strengthening national licensing practices, and for significantly upgrading the COCOM Secretariat. In its Summary of Conclusions, the HLM endorsed in general terms all of the US proposals except one calling for the establishment of a new Subcommittee of Defense Experts. Other members preferred extending COCOM meetings to include defense experts.

III. KEY POINTS

US Statement: Our governments made good progress at the April COCOM HLM. We need to follow up on the agreements made there. Specifically, we should:

-- Rapidly conclude our efforts to strengthen embargo coverage in priority technological areas such as computers and robotics;

-- Commit on an urgent basis financial resources for upgrading the COCOM Secretariat;

-- Devote high-level attention to assuring success of the Export Control Subcommittee's efforts to deal with enforcement and licensing harmonization problems, including the illegal reexport of COCOM-controlled items from third countries.

We also hope that your government can support the US proposal for a special Subcommittee of Defense Experts.

Criticism: Defense experts are already involved in governmental decisions on export control issues. Extended meetings involving defense experts should provide adequate opportunity for defense/military assessments sought by the USG.

Response: Such experts are not routinely involved in export control matters in several COCOM countries. We need to share military expertise on COCOM matters on a continuous basis.

~~CONFIDENTIAL~~
DECL:OADR

DECLASSIFIED
Authority State Waiver
BY dh NARA DATE 12/17/2019

OIL AND GAS EQUIPMENT AND TECHNOLOGY

I. ISSUE

We need to impress the Summit countries of the importance we attach to the conclusions of the April 28-29 COCOM High Level Meeting (HLM) on the study of other high technology.

II. ESSENTIAL FACTS

As a result of a US initiative, a COCOM ad hoc group has met twice to review US proposals for controlling oil and gas equipment and technology and for a system for monitoring emerging technologies. A third meeting has been scheduled for July, the first date permitted by the ongoing COCOM List Review schedule. A progress report on the ad hoc group activities was submitted to the HLM, which agreed to continue the study on oil and gas equipment and technology.

At the Summit, our objectives are to stress the continuing importance we attach to (1) the study as to whether our security interests require new controls on certain other high technology items (including oil and gas equipment and technology) not now controlled by COCOM, and (2) an early (July) agreement to establish a watch list for monitoring emerging technologies (only France has reserved on this).

III. KEY POINTS

Criticism: In proposing controls on oil and gas equipment and technology, the USG appears to be attempting to make use of COCOM controls as a means of imposing economic sanctions on the USSR. Under COCOM criteria, direct and significant military relevance must be shown for instituting controls. This is possible only for a limited number of oil and gas items.

Response: Oil and gas equipment has been previously controlled by COCOM in the 1950s under strategic criteria similar to those which currently exist. We believe that our governments should seriously consider whether our overall security interests again warrant controls on certain key types of oil and gas equipment and technology.

~~CONFIDENTIAL~~
DECL:OADR

DECLASSIFIED
Authority State Waiver
BY dw NARA DATE 12/17/2019

OECD MONITORING: COUNTERTRADE AND CREDITS

I. ISSUE

Within our overall East-West strategy, we will want the Summit participants to endorse the results of the discussions of East-West economic relations at the OECD Ministerial meeting.

II. ESSENTIAL FACTS

At the May Ministerial, OECD countries reached agreements on East-West matters that satisfied US objectives for this exercise. The communique contains the following major points:

(1) East-West economic relations have not developed as had been well as expected;

(2) such relations "should be guided by the indications of the market" and "Governments should exercise financial prudence without granting preferential treatment";

(3) the OECD should continue to review developments in this area, particularly problems connected with the Eastern countries' use of centralized control over trade (e.g., insistence on "countertrade", acceptance of goods in payment for exports).

The Ministers also approved a work program for the OECD on East-West matters which will include efforts to improve data collection and analysis, review financial and credit relationships, and study the balance of advantages.

III. KEY POINTS

Criticism: The US has been trying to force its own views concerning East-West economic and political relations on other governments.

Response: We want to develop a common analysis and agreed principles to enhance our governments' ability to formulate policies in this area, both individually and collectively. The work that has been done so far is a step in that direction. We look forward to building upon its results in implementing the work program approved at the Ministerial.

~~CONFIDENTIAL~~
DECL:OADR

State Waiver
dL 12/17/2019

EXPORT CREDIT ARRANGEMENT

I. ISSUE

The April negotiations to extend the OECD Arrangement on Export Credits yielded consensus on principles but no final agreement because the EC and other countries were unable to take final positions on a number of complex issues. We and our Summit partners will need to make a political commitment to see the negotiations to a successful conclusion.

II. ESSENTIAL FACTS

A significant result in April was the willingness of the EC and others to go on record in favor of automatic adjustment of Arrangement interest rates to reflect changes in market rates. Nevertheless, several countries had reservations which delayed agreement. France wants interest rates for the major LDCs lowered. Italy, Greece, and Belgium are resisting US proposals for tighter financing terms for the Category I (rich) countries, including the USSR. Japan wants the premium on yen loans reduced. As a result, the present Arrangement guidelines were extended and technical work is under way leading toward further negotiations June 27-30. This extension keeps lending rates to the USSR at or above market rates in most currencies.

III. KEY POINTS

<u>Criticism</u>: It is wrong to single out Category I countries for tough treatment.

<u>Response</u>: These countries can get commercial trade finance. They do not need subsidies by other governments.

<u>Criticism</u>: It is premature to set up an automatic system.

<u>Response</u>: All major participants have agreed to this in principle. Such a system would minimize destructive credit competition and reduce budgetary drains on all of us.

<u>Criticism</u>: Minimum Arrangement interest rates should be lowered.

<u>Response</u>: Technical work is under way to determine what the proper rates will be. The objective should be no unfair advantage for anyone. We have a unique opportunity in these negotiations to advance our budgetary and trade goals. It will never be easier than now.

~~CONFIDENTIAL~~
DECL:OADR

State Waiver
dw 12/17/2015

THE WHITE HOUSE

WASHINGTON

~~CONFIDENTIAL~~

MEMORANDUM FOR THE HONORABLE GEORGE P. SHULTZ
THE SECRETARY OF STATE

THE HONORABLE DONALD T. REGAN
THE SECRETARY OF TREASURY

THE HONORABLE WILLIAM E. BROCK
THE UNITED STATES TRADE REPRESENTATIVE

THE HONORABLE MARTIN FELDSTEIN
COUNCIL OF ECONOMIC ADVISORS

THE HONORABLE EDWIN MEESE
COUNSELLOR TO THE PRESIDENT

THE HONORABLE JAMES BAKER
CHIEF OF STAFF TO THE PRESIDENT

SUBJECT: Briefing for the President on Williamsburg Summit

Briefings for the President on his participation in the Williamsburg Summit will be conducted on May 24 through 27. The briefings schedule will parallel as closely as possible the schedule of events at Williamsburg. Members of the sherpa team and the political preparatory team will provide for the President the likely viewpoints of the other summit participants. Your role is to participate in the "general discussion" portions of the briefings with suggestions as to how the President could best handle the situation as it develops from the presentations in order to advance U.S. objectives and positions. (C)

WILLIAM P. CLARK
Assistant to the President
for National Security Affairs

MICHAEL K. DEAVER
Assistant to the President
Deputy Chief of Staff

Attachment

~~CONFIDENTIAL~~
Declassify on: OADR

UNCLASSIFIED UPON REMOVAL OF CLASSIFIED ENCLOSURE(S)

DECLASSIFIED
Sec 3.4(b), E.O. 12958, as amended
White House Guidelines, Sept. 11, 2006
BY NARA dh DATE 12/17/2019

Briefing Schedule

Tuesday, May 24, 1:00 p.m. - 3:00 p.m., Cabinet Room

Arms Control, INF and Security (Preparation for Williamsburg Saturday dinner)

Participants: Secretary Shultz, Secretary Weinberger, Judge Clark, Edwin Meese, James Baker, Michael Deaver, Assistant Secretary of State Burt with State Department Political Preparatory Team.

1. Opening by Judge Clark (2 minutes)

2. President opens discussion (1 minute)

3. President asks Thatcher to lead off - Presentation by Assistant Secretary Burt and political preparatory team as anticipated from Prime Minister Thatcher, and other Heads (30 minutes)

4. President presents U.S. view (10 minutes)

5. General discussion/critique (1 hour)

6. President's summary of what Secretary Shultz will say to press (5 minutes)

Wednesday, May 25, 9:30 a.m. - 12:30 p.m., Cabinet Room

General views on economic situation (Preparation for Williamsburg Sunday morning session)

Participants: Secretary Shultz, Secretary Regan, Secretary Baldrige, Ambassador Brock, Chairman Feldstein, Judge Clark, Edwin Meese, James Baker, Michael Deaver, Undersecretary of State Wallis with Summit Preparatory Team.

1. Presentation by Judge Clark (2 minutes)

2. President makes opening statement (5-10 minutes)

3. President invites members of summit preparatory team to make presentations of positions anticipated from other countries. Country responsibilities:

   Allen Wallis - France
   Beryl Sprinkel - Germany, Japan
   Henry Nau - Canada, European Commission
   Robert Morris - U.K., Italy

   Country presentations limited to 3-4 minutes each; total 25 minutes

4. President intervenes to direct further discussion (5 minutes)

5. Members of summit preparatory team respond to President (30 minutes)

6. President's closing remarks (10 minutes)

7. President's summary of what Secretary Shultz will say to the press (5-10 minutes)

8. General discussion (1 hour)

<u>Wednesday, May 25, 12:30 - 1:30 p.m., Cabinet Room Working Lunch</u>

<u>East-West Political Relations</u> (Preparation for Williamsburg Sunday lunch)

<u>Participants</u>: Secretary Shultz, Judge Clark, Edwin Meese, James Baker, Michael Deaver, Assistant Secretary of State Burt with State Department Political Preparatory Team.

1. Opening by Judge Clark (2 minutes)

2. President opens discussion (1 minute)

3. President asks Kohl to lead off - Presentation by Assistant Secretary Burt and political preparatory team as anticipated from Chancellor Kohl and other heads (30 minutes)

4. President presents U.S. view (5 minutes)

5. General Discussion/critique (15 minutes)

<u>Wednesday, May 25, 1:30 - 4:30 p.m., Cabinet Room</u>

<u>Specific Economic Actions</u> (Preparation for Williamsburg Sunday afternoon session)

<u>Participants</u>: Same as 9:30 - 12:30 session

1. Presentation by Judge Clark (2 minutes)

2. President's opening remarks (5 minutes)

3. President opens discussion on specific near-term actions in multilateral surveillance/domestic economies/exchange markets area and calls on Secretary Regan (5 minutes)

   President calls on members of summit preparatory team to present anticipated country positions (20 minutes)

4. President opens discussion on specific near-term actions in trade area, and calls on Secretary Shultz (5 minutes)

   President calls on members of summit preparatory team to present anticipated country positions (15 minutes)

5. President opens discussion on specific near-term actions in debt and finance area and calls on Secretary Regan (5 minutes)

   President calls on members of summit preparatory team to present anticipated country positions (15 minutes)

6. President opens discussion on UNCTAD VI and President calls on members of summit preparatory team to present anticipated country positions (10 minutes)

7. President opens discussion on East-West economic relations and calls on Secretary Shultz (5 minutes)

   President calls on members of summit preparatory team to present anticipated country positions (10 minutes)

8. President opens discussion on longer-term policy goals and decisions and calls on Secretary Regan (5 minutes)

   President calls on members of summit preparatory team to present anticipated country positions (15 minutes)

9. President summarizes what Secretary Shultz will tell the press (5 minutes)

10. President summarizes instructions to the personal representatives for drafting the joint statement (5 minutes)

11. General discussion/critique

<u>Thursday, May 27, 2:30 - 4:00 p.m., Cabinet Room</u>

<u>Middle East</u> (Preparations for Williamsburg Sunday dinner)

<u>Participants</u>: Secretary Shultz, Judge Clark, Edwin Meese, James Baker, Michael Deaver, Assistant Secretaries Burt and Veliotes.

1. Presentation by Judge Clark (2 minutes)

2. President opens discussion (5-10 minutes)

3. President calls on Mitterrand to lead off - Presentations by Assistant Secretaries Burt and Veliotes of anticipated positions of President Mitterrand and other Heads (20 minutes)

4. President presents U.S. views (5 minutes)

5. General discussion/critique (30 minutes)

Friday, May 27, 3:00 - 5:00 p.m., Providence Hall, Williamsburg

Wrap-up Sessions (Preparing for Williamsburg Monday meetings)

Participants: Secretary Shultz, Secretary Regan, Judge Clark, Edwin Meese, James Baker, Michael Deaver, Undersecretary Wallis, Assistant Secretary Burt.

1. Presentation by Allen Wallis on drafting of final statement (10 minutes)

2. General discussion (30 minutes)

3. Discussion by Shultz and Burt of Monday Lunch at Basset Hall to Wrap-Up Summit Issues (30 minutes)